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For immediate media release.

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Police Chief Confirms Councilmembers' Concerns: Card Clubs Foster Crime Throughout the City

SAN JOSE - Today, Councilmembers David Pandori and Patricia Dando received a report that they had requested from San Jose Police Chief Lou Cobarruviaz that demonstrates the link between card club gambling and crime throughout the community.

The Chief's report reviews a sampling of actual criminal cases that include a direct or indirect link to card club gambling. The report includes cases of such serious crimes as high-tech robberies, home invasions, loansharking, and even murder. The common theme among all the cases is that either the victims or the suspects had been customers at local card clubs.

This report substantiates Pandori's and Dando's contention that card clubs foster serious crime throughout the community.

Last month, Pandori and Dando issued a plan for "Common Sense Government for San Jose" that calls for shifting the control of card clubs away from the politicians at City Hall to the voters of San Jose.

(Report attached.)

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CITY OF SAN JOSE - MEMORANDUM

TO Councilmember David Pandori FROM Chief Louis A. Cobarruviaz

SUBJECT Cardroom Analysis (Cardrooms & Crime) DATE March 4, 1996

APPROVED DATE

In response to your memorandum dated February 12, 1996 requesting an analysis of the relationship between card clubs and crime, the following information was compiled. The examples used are but a brief sampling of the actual complaints filed with this department and other law enforcement agencies. The information, though stated in general terms (as it relates to specific places, times, and individuals), is accurate as to the sequence of events, actions, and disposition of the participants.

Case Example #1 **(HIGH TECHNOLOGY CRIME) San Jose, CA.** Members of sophisticated criminal organizations frequent the card clubs. In doing so they become aware of certain card players that are employed by high technology firms in the Silicon Valley and elsewhere in the Bay Area. They befriend these individuals and loan them money to play. In return they expect a certain amount of cooperation. This cooperation usually consists of information regarding products stocked or manufactured by the employee's company. Once the organization identifies a likely target, they will request from the employee a layout of the building where the product is kept. They will then inquire as to security systems, guards, and number of employees present during various hours of the day. Once the decision has been made to perpetrate the burglary or robbery, a "crew" is hired and paid a specific amount by the organization to commit the crime. These "crews" usually consist of lower level, loosely knit street criminals who may or may not be members of a specific gang. Further planning is done by the "crew" using the information given to them by an intermediary. It is safe to say that the "crew" and sometimes even the intermediary are not aware of the identity of the criminal organization's leaders.

Once the decision is made to go, the following sequence of events is likely. The "crew" will obtain weapons and sometimes special clothing to use during the crime. They will also have a means of communication, usually two-way radios and cellular phones. The "crew" is sometimes monitored (followed) by individuals higher up in the organization while the crime is being perpetrated. The telephone junction box for the entire area (grid) is located, and the main cable is cut resulting in the phone service for thousands of customers in the area to be disrupted. This also disables alarm systems that are connected to the local police agency. Once the "crew" is satisfied that the police are not responding to investigate, they will attack the target. Depending on whether there are employees present or not, defines the difference between a burglary or robbery.

If the "crew" has been successful, they take the product to a location where it is handed off to the intermediary, and they are paid for their work. The product is stored or delivered directly to the individual who is responsible for selling the product. Many times the buyer has already been pre-determined and the product sold prior to delivery. The product frequently ends up in the hands of smaller competitors of the victimized company, resulting in a depressed price for the product since it is usually sold at a discount.

The money obtained from the sale of the product is substantial, ranging in the hundreds of thousands to even millions of dollars. It is not easy to deal with this kind of cash flow without arousing the suspicions of those in the federal government who monitor large banking transactions. This is where the card clubs again enter the chain of events. The same high level crime figures visit the clubs and through successive cash to gaming chip to cash transactions are thus able to launder major sums of money. This, of course, does not include the large amounts of cash that is lent out at exorbitant interest rates to customers at the clubs (loansharking operations).

The above cycle has repeated itself many times in just the last two years. There are many variations to this one case example, but be assured the one common denominator is often times the card club. The club provides a ready supply of individuals who are preyed upon and then provides a cash rich atmosphere to hide the proceeds of the ill gotten gains. You can also be assured that this problem is not just a local one. It has major national and, indeed, international impact. There is evidence that these same high tech criminal organizations are operating interstate and, through various means, smuggling not only the high technology product out of the country, but substantial amounts of cash as well. The cash is being used to invest in or purchase a lavish lifestyle in their respective countries of origin.

Case Example #2 **(LOANSHARKING) Sunnyvale, CA.** *Sunnyvale* police responded to the report of a home invasion robbery. Upon arrival they were contacted by the female victim who reported that three armed individuals had entered her residence and attacked her. She was able to break free and run outside. The suspects followed, firing several gunshots at her. While investigators were at her residence taking her statement, they observed six envelopes on a nearby dresser. Each had a set of car keys and, the title (pink slip) to a motor vehicle inside. When asked what she was doing with six sets of keys and the titles, she stated that she was holding them for friends. A subsequent investigation revealed that the female victim is a long time "loanshark" that operates out of *San Jose's* card clubs. In fact at one club, she has a two page record of infractions and had finally been barred from entry to the club. Her scheme is simple. She loans money to players in need and takes their vehicles as collateral. One of the many drawbacks to this type of activity is that a person could be murdered. *San Jose* homicide investigators continue to work on a case where the female victim was found in the trunk of her vehicle parked at one of the local card clubs. Loansharking activity is believed to be the primary reason she was murdered.

Case Example #3 **(AUTO THEFT) San Jose, CA.** A Department of Motor Vehicles investigator from *Westminster, CA.* called the *San Jose* police to request our assistance with a case he was working. The investigator related that there was as yet an unknown subject or group in southern California counterfeiting motor vehicle titles. The sequence of events is as follows. Using an assumed name, a suspect rents a new Honda Accord from the Hertz rental agency at *Los Angeles International Airport.* The suspect has either purchased the counterfeit title or is a conspirator of the counterfeiter. The vehicle is driven to *San Jose* and sold in the parking lot of one of the card clubs at a substantial discount. The theft is discovered when the renter fails to return the vehicle and Hertz reports it stolen. The buyer finds out about this scam when he or she is stopped by the police or the buyer tries to register the vehicle in his or her name.

There are several reasons why we believe transactions of this type are conducted primarily around the card clubs and not any other businesses: the likely availability of customers that will ask few, if any, questions regarding the origin of the vehicle; the availability of ready cash to complete a transaction of this nature; and the least amount of personal contact between the two parties involved so that there is no connection between the two that can be traced. The contact usually results in only a vague description of the suspect and little else.

Case Example #4 **(CREDIT CARD FRAUD/CHECK FRAUD) San Jose, CA.** The suspect enters a card club and uses his credit card to obtain a "COMCHEK". This check is essentially a cashier's check which is obtained through a dispensing machine that accepts credit cards. These machines are commonly installed in casinos and card rooms which do not accept credit cards themselves. The machines are unlike an ATM which limits you to a specific amount per day or transaction. With "COMCHECK" you can receive a check for up to the limit of your credit line. In this case, the suspect's credit line on his card was $4500.00. Over the period of 11/24/93 to 12/2/93 the suspect was able to obtain $13,300.00. The secret to success is in the timing. The suspect wrote three "pay down" checks (all bogus) to his account over this time period. The suspect returned to the card club on three occasions and obtained "COMCHECKS" over the same period of time. As long as the machine clears the transaction after the PIN number is entered, the machine will dispense a check which the card club will cash.

Case Example #5 **(EXTORTION) San Jose, CA.** In this instance, the victim is a gambler who is down on his luck and in need of a quick infusion of cash. This is noticed by a least one southern California gang member who is hanging out near-by. The suspect approaches the victim and offers him $1000.00 cash to play and at the same time makes him a proposition. He tells the victim that he can show him a way to triple the maximum credit limit on his credit cards and receive a cash advance for that amount. He further tells the victim that he would not have to pay back the money because he would help the victim file for bankruptcy. In return for this helpful advice, the suspect would only require one half of the proceeds. The victim is desperate and agrees, giving the suspect three of his credit cards along with other pertinent information to carry out the scheme. Meanwhile the victim goes home and tells a relative about what transpired, and the relative informs him that it is illegal to do what was proposed and he had better not go through with it. The victim has second thoughts and cancels his credit cards. Approximately two days later the victim is contacted by the suspect, who is very upset and tells the victim that he must meet him to pay his debt. The victim meets with the suspect to pay the debt. After he pays the $1000.00, the suspect asks him to go to a *San Jose* card club to meet with some people who want to talk to him. The victim is directed to a van parked in the parking lot. Once inside he is confronted by several subjects all armed with handguns. The victim is roughed up and threatened. He is told that he owes an additional $1000.00 for causing so many problems by backing out of the deal.

During the course of this investigation the victim positively identified two of the suspects and was subsequently asked to cooperate. However, the victim was so intimidated and in fear for his life he refused to cooperate further and ended up paying the additional $1000.00 to the suspects.

Case Example #6 **(DRUG TRANSACTIONS) San Jose, CA.** Information was received via an informant that individuals were dealing small quantities of controlled substances inside one of the card clubs and in the parking lot. The drugs are often disguised to look like ***candy*** wrapped as individual pieces. Undercover operatives were sent in, in order to verify the information. "Controlled buys" were conducted resulting in the arrest of several individuals. This activity went unnoticed by the club security personnel.

Case Example #7 **(FENCING STOLEN PROPERTY) San Jose, CA.** Information has also been received that property, mostly expensive clothing items, jewelry and, leather goods (purses, wallets etc.) are being sold for cash inside the clubs, sometimes right at the gaming tables. Informants indicate that the items are in new condition, and some items still have the store tags attached. We believe some of the property to be shoplifted merchandise worn into the club by the seller and fenced for half price or less in order to obtain money to gamble.

Case Example #8 **(FOLLOW HOME ROBBERY) Various jurisdictions.** There have been many follow home robberies in the Bay Area that relate directly back to the card clubs. The victims report in every case that they had just been to one of the card clubs and believed that they were followed home by the perpetrators. The suspects are usually armed and will resort to violence if the victim resists.

A recent case occurred in the city of *San Francisco* where a female victim and her two children were accosted at their residence by three armed suspects. The victim told police that she and her husband, who was out of the country at the time of the robbery, had won several thousand dollars gambling just recently. The victim related further that they gamble two to three times a week at a *San Jose* card club and owed $10,000.00 at the club. Since the card clubs are not in the business of loaning money it is assumed that the victim had borrowed the money from a private party (loanshark). In this case the three suspects were captured by police, and the victim's property was recovered.

Another case occurred in the city of *Milpitas* where a female victim was followed home the day before the actual robbery. At 9:00 AM the next morning she was accosted by three males and one female suspect who forced their way into her residence. At least one of the suspects was armed with a handgun. The suspects forced the victim and her gardener to lie down and proceeded to tie them up. During the robbery the victim's son returned home, and he was also taken prisoner. When the suspects were distracted, the son was able to escape. The suspects fled the residence shortly thereafter. The female victim recognized one of the suspects as a person who had followed her home from a *San Jose* card club the day before.

Case Example #9 **(BANK ROBBERY) San Jose and Santa Clara, CA.** On February 6, 1996 at approximately 9:15 AM a bank robbery occurred at a Bank of America branch on the east side of *San Jose*. An alert witness got the license number of the vehicle the robber used to flee the scene. Routine follow-up investigation by robbery detectives that same morning lead to the discovery of the get-away vehicle parked in the parking lot of a *San Jose* card club. The suspect was arrested a short while later waiting for a seat at a gaming table inside the club.

The same suspect was also implicated and subsequently charged in a *Santa Clara* bank robbery that occurred on December 22, 1995.

Case Example #10 **(MURDER) San Francisco, CA.** Recent well-publicized cases in the city of *San Francisco* are prime examples of how desperate criminals become.

One case occurred on February 2, 1996 when a man employed as a cab driver fatally shot two friends in the Taraval District. The suspect then committed suicide. A subsequent investigation revealed that the suspect was despondent over his gambling debts and that he may have borrowed as much as $200,000.00.

A second case occurred on February 7, 1996 involving a 54-year-old victim who was followed home from a card club in *San Bruno*. He had won approximately $1740.00 and had just arrived at his residence in the Visitation Valley area. While still in his car, the victim was approached by two armed men. Apparently without provocation, one of the suspects shot and killed the victim outright. Two *San Francisco* police officers patrolling nearby heard the shots and arrived in time to see one armed suspect standing near the victim's vehicle and the other leaving in the get-away car. Both suspects were apprehended. Two guns were recovered as was the victim's property. The victim died at the scene.

A third case occurred February 6, 1996 in the city of *San Jose* where a male victim was murdered and his wallet was taken. Shortly after the homicide, the suspect obtained a $1000.00 cash advance from one of the victim's credit cards at a *San Jose* card club.

Case Example #11 **(INTIMIDATION AND TURF WARS) Emeryville and San Jose, CA.** On November 3, 1994 the current Asian games' manager at a *San Jose* card club was the victim of a shooting incident in the city of *Oakland*. The victim related that he had been followed from an *Emeryville* card club, enroute to a *San Jose* club when the shooting occurred. At the time, he was managing two card clubs. He had just been offered additional responsibilities at the *Emeryville* club managing a particularly lucrative Asian game called "PAI GOW". The victim told investigators that he believed the incident to be connected with his involvement in both clubs and thus he was perceived as being greedy or too powerful.

During the course of a joint investigation conducted by the *California Department of Justice*, *Oakland*, and *San Jose Police*, it came to light that a gang known as "Red Fire" was responsible for the shooting incident. This particular gang, also called "HUNG PHO", was thought to be out of business after its leader and several of its members were murdered in the Bay Area and southern California. However, during the execution of search warrants in ***San Francisco*** and *Long Beach, CA.*, investigators changed their mind. A cache of weapons, ammunition, two-way radios, bulletproof vests, and other paraphernalia commonly used in the commission of high technology and home invasion crimes was confiscated.

The primary suspect in the above case was later convicted of weapons violations but failed to show up for sentencing and is currently a fugitive from justice.

Case Example #12 **(INFLUENCE PEDDLING) San Jose, CA.** On May 9, 1995 an influential elder member of the Asian community who is anti-gambling, was asked to meet with a *San Jose Police* representative regarding an up-coming community meeting he was organizing. During the course of their conversation this individual related an incident that happened to him on April 26, 1995. He stated that he was approached by a man who introduced himself as "Thach". Thach represented himself as working for a prestigious automobile dealer in *San Jose* and as a goodwill gesture he was willing to donate $20,000.00 to the community leader and his organization. The community leader became suspicious but said he would think about it. A few days later he received a follow-up call at his residence from two subjects known to him as employees of one of the local card clubs. They both encouraged him to take the money. At this point it became clear why the money was being offered and from where it was coming.

Conclusion

These examples should give you a better understanding of what we believe to be a very strong connection between card rooms and crime in our city and throughout the state of California. The San Jose Police have joined with federal, state and other local police agencies to try and stem the tide of crime emanating from and around these businesses.

Louis A. Cobarruviaz
Chief of Police

LAC/drr